UNITE FOR VICTORY

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A Brief Summary of Economic Conditions

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In This Issue

SECRETARY WICKARD announced at month's end: (*1*) *I am prepared to approve the placing of ceilings on livestock prices if a practical plan for livestock marketing can be evolved;* (*2*) *I believe it would be wise to repeal the 110 percent of parity provision contained in the Emergency Price Control Act of 1942.* * * * Both recommendations were made in a Nation-wide radio broadcast in which the Secretary emphasized the seriousness of the growing threat of inflation to our war effort. He appealed to farmers to lead the way in breaking the "log-jam of unwillingness of each of the great economic groups to accept controls unless at the same time controls are placed on the others." And in order not to endanger the price-control structure, Secretary Wickard suggested subsidies to farmers instead of increased prices, where this should become necessary in order to get production of vital war commodities. * * * Next evening, Price Administrator Henderson warned that the battle against inflation is in danger of being lost unless drastic action is taken immediately to limit increases in farm prices and wages.

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Unite for Victory[1]

By Claude R. Wickard, Secretary of Agriculture

UP to now we have done fairly well in the management of our wartime affairs. But we have not done half well enough. It is clear that we can't just continue at our present pace and wait for victory. It is not a question of *when* we win the war; it is a question of *if* we win the war.

On the home front the war job is everybody's job. We can't get it done if any group hangs back and lets others carry the load. If we do not free ourselves from our own greed and selfishness, we will end up as slaves to the greed and selfishness of the Axis masters.

I am sure that the vast majority of Americans know how foolish it is to try to conduct business as usual in a world at war. I think I know particularly well how the great majority of American farmers feel. I know their sound common sense and their willingness to face facts and make sacrifices. This year's production of crops and livestock shows where farmers stand.

Despite limitations of labor and fertilizer and machinery, farmers are smashing all records—not only for total production, but in the particular products that are needed most for winning the war. They have converted to war needs. They are working the longest hours of any group in the country, and the mothers and children are working along with the men to carry on the battle of Food-for-Freedom. They are being called on to produce more and more with less and less.

BUT farmers will keep on doing their best to win the battle of production, and I know they will do their part in the battle against inflation, too. For the time has come for united action, across the whole front, to keep up production, and to hold down increases in industrial prices, farm prices, and wages.

It would be a national catastrophe for us to have an inflationary wartime boom and a post-war crash. No one would be harder hit by deflation than the farmers. So farmers are ready to do their part in the President's broad anti-inflation program. They are in a better position to share in this battle than they have been in many years. Farm income for this year will be the highest on record. The average of farm prices has reached parity, and has reached it at a time of the largest farm production we ever have had. Though I realize that many individual farmers still have low incomes, the combination of fair prices and large production assures a good national farm income. The great majority of farmers ask nothing further. They do not want to grasp for more at the expense of the Nation's safety.

THE unusual wartime demands for meat have kept livestock prices going up. There has been no ceiling on livestock prices although there are ceilings on the retail price of meats. This situation, inevitably, has caught many meat packers, particularly the smaller firms, in a squeeze. Apparently this squeeze is caused by the fact that those packers who are able to do so are bidding up the price of livestock in order to get enough supply to fill their expanding orders. They are bidding more for livestock than the meat dressed out of the livestock will bring under existing price ceilings. They are doing this because they are willing to give up profits temporarily in order to keep their line-up of customers. As a result, some packers who are unable to compete on this basis, have either closed their plants already or are faced with closure.

[1] Condensed from radio broadcast over Blue Network, 10:30 p. m., August 19, 1942.

In ordinary times this is a situation which could be left to work itself out. But these are not ordinary times. We are at war and the Nation needs every available packing plant facility to handle the great run of hogs and cattle that will start coming to market in the late fall. For the sake of the Nation we must keep all packing plants in running order.

Furthermore, the squeeze has become so tight that there is great danger of wide-open violations of the price ceilings for meats. Unless something is done, the whole structure of price control may be jeopardized. With the Nation at war, the question of who is to blame for the price squeeze ceases to be the problem. The problem becomes one of keeping the packing industry in operation full tilt, and of preserving the price ceilings. With the facts and the problem before them, I am sure that the farmers of the Nation will approve the plan of action which I am now going to explain.

AS Secretary of Agriculture, I must give approval before the Office of Price Administration can place ceilings on livestock prices. I am prepared to give this approval if a practical plan for livestock marketing can be evolved. Such a plan must not permit abnormal profits to anyone in the industry at the expense of the producers or consumers. With the necessary measures, such as allocation of supplies, the plan must facilitate a more equitable distribution of meats. Also, the plan must be one that not only will protect packers from high prices, but also will protect farmers from low prices.

Ceilings on livestock prices will not increase the supply of meat to consumers. The reasons for putting the ceilings on livestock prices are to keep the packing industry in full operation, and to safeguard the price-control structure.

THE Price Control Act prohibits ceilings on processed farm products if the ceiling price reflects a farm price of less than 110 percent of parity. A year ago when I testified before a House Committee in support of the price control bill I approved the 110 percent limitation. At that time many prices were far below parity. It seemed to me that they could never average parity unless there was an opportunity for some of them to be slightly above parity at least part of the time. Now the situation is different. Farm prices have reached parity on an average.

Today the 110 percent provision is being pointed to by other groups to prove that farmers are asking for more than their fair share. It is being used as an argument to slow down economic controls in other fields. Under the present circumstances, I believe it would be wise to repeal this provision. It is my earnest hope that the prices of each farm commodity can be held at the level which will make completely effective the price-control part of the President's wartime economic program.

I am not forgetting that production is all-important, and that we may need to increase returns to farmers on some products in order to get production of vital war commodities. In instances where changes within the framework of price controls cannot accomplish this, I think it is in the national interest to give farmers increased returns through subsidies rather than through increased prices which may endanger the price-control structure.

FARMERS want action now to win the battle against inflation. They favor controls clear across the board. But action is being held up behind a log-jam of unwillingness of each of the great economic groups to accept controls unless at the same time controls are placed on the others. Farmers are ready to lead in breaking the log-jam. We cannot have continued rises in farm prices, or in any other prices, without losing the battle of inflation, and I am tonight asking the farmers of America to take the lead in this battle as they have taken the lead in the battle of production. The time has

come to settle down to the business of winning this war, and we are not going to win it by talk. It is time for action. I am sure that the farmers of America stand ready to accept their full responsibility.

Commodity Reviews

PRODUCTION: Increase

PRODUCTION prospects—principally feed and food grains—were upped sharply last month, as yields per acre promised a turn-out considerably better than had been expected earlier in the season. The Crop Board stated that crop prospects were the best on record for that time of year; that "with good growing conditions in nearly all States and a full output needed, the total volume of crops produced is expected to be about 21 percent above the predrought average." Increase above 1941 would be about 9 percent.

Corn was indicated at 2,754 million bushels as compared with 2,673 million in 1941, oats 1,332 million against 1,176 million in 1941, wheat 955 million against 846 million. Peanuts to be picked and threshed were indicated at 2,800 million pounds as compared with 1,477 million in 1941, and tobacco at 1,361 million pounds against 1,261 million. A cotton crop of 13.1 million bales was indicated, as compared with 10.7 million in 1941.

The Board said that the favorable growing conditions for feed crops and pastures were helping to increase the output of livestock and livestock products to unprecedented levels. Milk production per cow was nearly 2 percent larger this August 1 than last, egg production was 14 percent larger this July than last, marketings of beef cattle and sheep were reported as being "heavy, even though numbers retained in breeding flocks and herds still appear to be increasing quite generally except in the dry Southwest."

The Board added that a further increase in hog production is to be expected since the production of feed grains is now estimated at 112 million tons, or about 5 percent more than production in 1941. This quantity added to the large reserves on farms July 1 indicates a record supply of feed grains for 1942–43. In addition, there will be a largely increased supply of oil meals, and 125 million bushels of Government wheat is being offered for sale for feeding purposes.

LABOR: Fall Harvest

Fall harvest is underway—a bigger harvest than ever before. Harvest labor force will probably top 12 million family and hired workers—about the same number as in 1941, but in composition very different. Principal change is the use of much inexperienced help in replacement of experienced hands gone to war and war industries.

Crop correspondents reported as of August 1 that negligible quantities of crops had been left unharvested for lack of labor; certainty is that by every means—greater use of farm women, townspeople and others, and efficient use of available farm machinery—the volume of crops harvested will be little short of the quantity produced. To help with the harvest load, arrangements have been made for the transportation of migratory workers into labor shortage areas, and for making Mexican workers available if sufficient help cannot be obtained within the United States.

Problem after harvest will be to get the products stored on farms, transported to primary concentration points for distribution to processors, wholesalers, and terminal storage. Best use must be made of available motor transport, and a heavy burden will be upon the railroads. While the harvest is on the heavy fall movement of livestock to feed lots and slaughter will get underway, straining to the utmost all transport and processing facilities.

PRICES: Parity

Many crops continued to sell below parity during the past month, but other crops, led by livestock and livestock products, were above, and the average of all was 9 points up over July. Prior to August, the ratio of prices received to prices paid, interest, and taxes had held at approximate parity for the preceding 8 months, a situation longer sustained than in any other period since World War I. Wartime demand has been the principal factor in the rise in farm products prices during the past year, jumping the prices received-paid ratio to 107 last month.

Prices received by farmers are approximately 24 percent higher than at this time last year. Volume of farm production is about 10 percent larger this year than last, and the total of cash income from marketings and Government payments is expected to set an all-time high record of approximately 15 billion dollars. Total for 1941 was 11.8 billion. Probability is that gross income (including the value of home consumption and the rental value of farm dwellings) will also set a new record; at least, that it will be close to the preceding high of 17.7 billion dollars in 1919.

Index Numbers of Prices Received and Paid by Farmers

Year and month	Prices received	Prices paid interest and taxes	Buying power of farm products [1]
1941			
January	104	128	81
February	103	128	80
March	103	129	80
April	110	129	85
May	112	130	86
June	118	132	89
July	125	133	94
August	131	136	96
September	139	138	101
October	139	141	99
November	135	143	94
December	143	143	100
1942			
January	149	146	102
February	145	147	99
March	146	150	97
April	150	151	99
May	152	152	100
June	151	152	99
July	154	152	101
August	163	152	107

[1] Ratio of prices received to prices paid, interest and taxes.

Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Bureau of Agricultural Economics. Average of reports covering the United States weighted according to relative importance of district and State]

	5-year average, August 1909–July 1914	August average, 1909–13	August 1941	July 1942	August 1942	Parity price, August 1942
Wheat (bushel)—cents	88.4	89.5	88.5	94.6	95.4	134.4
Corn (bushel)—do	64.2	70.9	70.0	83.1	83.4	97.6
Oats (bushel)—do	39.9	40.9	32.5	43.9	42.6	60.6
Rice (bushel)—do	81.3	----	[1] 104.0	169.5	162.9	123.6
Cotton (pound)—do	12.4	12.3	15.33	18.55	18.03	18.85
Potatoes (bushel)—do	69.7	84.0	[1] 68.0	125.8	115.4	[2] 108.1
Hay (ton)—dollars	11.87	11.35	7.64	9.05	8.89	18.04
Peanuts (pound)—cents	4.8	4.8	4.29	5.59	5.99	7.30
Apples (bushel)—dollars	.96	.72	.85	1.52	1.16	1.46
Hogs (hundredweight)—do	7.27	[1] 7.32	[1] 10.48	13.78	14.13	11.05
Beef cattle (hundredweight)—do	5.42	[1] 5.29	9.04	10.79	11.30	8.24
Veal calves (hundredweight)—do	6.75	[1] 6.60	10.50	12.56	12.91	10.26
Lambs (hundredweight)—do	5.88	[1] 5.63	9.56	11.82	12.07	8.94
Butterfat (pound)—cents	26.3	24.1	36.0	37.5	40.6	[3] 38.0
Chickens (pound)—do	11.4	11.7	16.3	18.7	19.6	17.3
Eggs (dozen)—do	21.5	18.1	26.8	29.5	32.2	[3] 31.7
Wool (pound)—do	18.3	18.8	[1] 35.6	39.2	39.4	27.8
Tobacco: [4]						
Flue-cured, types 11–14—pounds	22.9	----	23.8	----	33.7	27.9
Maryland, type 32—do	22.9	----	35.0	31.0	29.5	21.8

[1] Revised.
[2] Post-war base.
[3] Adjusted for seasonality.
[4] Base price crop years 1919–39.
[5] Base price crop years 1934–38.

FARM FAMILY: Spending

Bureau of Home Economics said last month that farm families put more than twice as much into savings in 1941 as they did in 1935–36. "They reduced debts, bought defense bonds and stamps, and made investments of other kinds. They spent more for living, too, but on the whole, such outlays were increased by scarcely a third. Amounting to a third or more were the increases in expenditures for food, clothing, for fuel, light and refrigeration combined, for furnishings and equipment, and for gifts, contributions, and income and personal taxes."

Net money incomes of farm families averaged 46 percent higher in 1941 than in 1935–36. Many farm families moved from lower to higher income classes. At each income level more was spent for clothing and household furnishings; and in the upper income classes, more for food. In 1941, the average income (money and nonmoney) for farm families totaled $1,664. Of this, about $518 represented the value of noncash income represented by food and other goods produced at home, and the value of occupancy of the farm house.

FEED: High-protein

Oilmeals from crushings of this year's soybeans, peanuts, flaxseed and cottonseed, plus gluten feed, are expected to add to a total supply of high-protein feeds 40 percent larger than in 1941–42. All can be utilized with grains and forage in the best balanced and most efficient feeding program farmers have ever conducted.

Feeding requirements will probably be larger this season than our feed grain production, so that by next year we will have dug into reserves. The most noticeable depletion will be in corn carryover. To some extent the reduction of feed grain reserves may be offset by the release of 125 million bushels of wheat for feed. The Department of Agriculture has announced sale prices for feed wheat ranging from 75 to 100 cents per bushel, for October delivery, with Corn Belt prices considerably lower than under last year's program.

BAE expects the price situation to remain relatively favorable for feeders. Grain prices are expected to average higher than last year, but because of large supplies, general price ceilings, and the feed wheat program the increases are not expected to equal the rises in prices of livestock and their products. The ample supplies of high-protein feeds also will aid in maintenance of a relatively favorable feed-product ratio.

CATTLE: On Feed

Heavy marketings of fed cattle are reflected in reports showing considerably fewer cattle on feed this summer than last. Figures showed 19 percent fewer on feed in the Corn Belt this August 1; it is hardly to be expected, in view of price ceilings and other conditions, that this difference will be made up in coming months. To do so, the shipments of stockers and feeders into the Corn Belt the remainder of this year must greatly exceed the record movement during the like period in 1941.

Decreases in cattle on feed in the Corn Belt this August 1 compared with last ranged from 10 percent in Missouri to 30 percent in Ohio, Michigan, and Wisconsin. For the 5 Eastern Corn Belt States as a whole the decrease was 20 percent; for the 6 Western Corn Belt States it was 18 percent. Cattle feeders had indicated last spring they would feed about as many cattle this year as last, but subsequent events affecting price spreads induced heavy marketings instead.

HOGS: Salients

BAE enumerates 5 "important features" in the outlook for hogs:

1. The 1942 spring pig crop totaled nearly 62 million head, 25 percent

larger than the 1941 spring crop, and much the largest on record;

2. breeding intentions reported in the June pig survey indicate that this year's fall crop may total about 43.5 million head, 22 percent more than the 1941 fall crop;

3. total hog slaughter in the 1942–43 marketing year (October–September) will exceed 90 million head and slaughter under Federal inspection may reach 65 million head, compared with inspected slaughter of 52 to 53 million head in 1941–42;

4. the number of hogs marketed October through April may exceed last year's total by 9 to 10 million head;

5. to relieve a possible marketing jam in December–January, farmers are urged to fatten out and market early spring pigs as rapidly as possible. Carrying late pigs beyond the December–January peak also is recommended.

LAMB: Price Ceiling

Ceiling prices have now been established at wholesale and retail for lamb carcass and cuts, which were omitted from the General Maximum Price Regulation of late spring. The new order is temporary, effective for 60 days beginning August 1, and establishes the ceiling at highest prices prevailing during the last week of July. Lamb prices have advanced sharply since last March, at which time they were too low to be included under the general price ceiling under terms of the Emergency Price Control Act.

The lamb crop this year was slightly smaller than last year's record. Although breeding ewes generally were more numerous this year than last, in some areas bad weather resulted in a smaller number of lambs saved per 100 ewes. Early lambs, normally ready for market before early August, were a little later than usual but late summer conditions were favorable. Market supplies this fall should be about the same as last year, possibly a little smaller. In May–July of the 1942–43 marketing year inspected slaughter was running a little larger than a year earlier, but the smaller crop makes unlikely a continuance of this increase. Early summer slaughter probably included a larger-than-usual number of yearling lambs carried over from the 1941 crop, and a rather abnormal heavy movement of native spring lambs during July.

FATS, OILS: Increase

United States production of fats and oils is exceeding earlier expectations, may total nearly 12 billion pounds in 1942–43 as compared with less than 10 billion in 1941–42. But imports from the Far East have been greatly reduced and imports from other areas may be restricted by a scarcity of shipping space. On the other hand, exports under Lend-Lease will be greatly increased. Domestic civilian consumption also is likely to go up unless restrained by Government action. Retail price ceilings are on all fats and oils except butter and linseed oil. Price ceilings have encouraged processors and others to draw upon reserves of fats and oils instead of buying for future needs.

POULTRY: Abundance

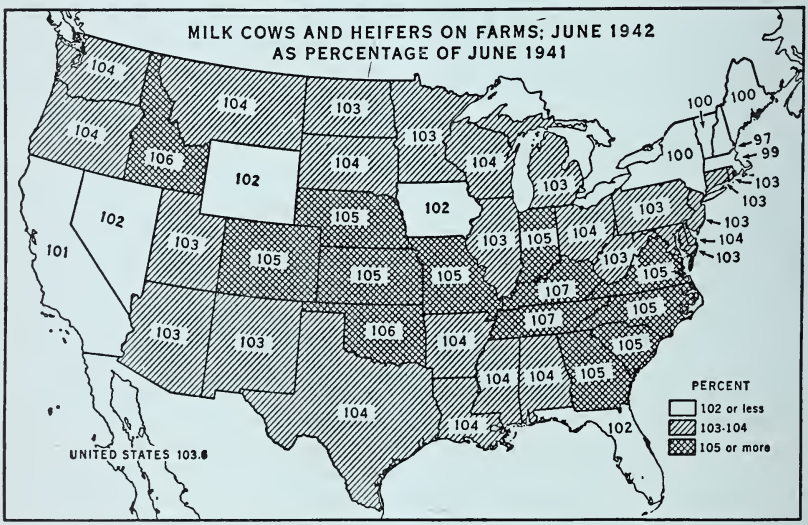
Record supplies of chicken will be available for consumers this fall. Farmers are raising 10 percent more chickens this year than last, and before marketing are feeding them to heavier weights than usual. Although part of the increase in numbers will be kept in laying flocks on farms, the market movement this year has been and will be the largest on record. Ordinarily chicken has constituted about ⅛ of total meat consumption (dressed weight basis) in the United States—in 1941 the figures were 12 percent for chicken and 2 percent for turkey. This year, with record supplies and less pressure on poultry from lend-lease and military sources than on other meats, the percentage of poultry in the civilian meat supply will be a new high.

Biggest increases in the number of chickens have been in the Midwest states. Increases are general, however, throughout the country. The large market movement this fall is expected to sell at good prices to producers. There may be temporary surpluses at local markets, but prices are expected to remain well above prices last fall. Chicken prices are still below the minimum levels at which price ceilings may be set under terms of the Price Control Act.

COTTON: Grade

Cotton farmers are harvesting their crop this year with a greater incentive for careful picking and ginning than in many years. Reason is that premiums and discounts for grade are much greater due to war demands for a quality of cotton higher than average. Discounts are particularly marked for grades below Middling. Central market differences in the values of a 500-pound bale of Middling and grades below Middling have been running 3 to 4 times as great as last year. Farmers thus have the opportunity to make important additions to income by maintaining as high a grade as practicable, and at the same time will furnish the mills a bale of cotton more useful in war production.

Longer staples and higher grades will be in great demand for the duration of the war. Domestic mills are operating at record-breaking rates each month, and they always have consumed the better qualities while other qualities went into export. High quality standards for military orders and pressures to maintain capacity output by avoiding stoppages also add to the premium on high-quality cotton. Present mill consumption—keeping pace with production of cotton—is depleting stocks of cotton more rapidly in the high qualities than in the low.



Midsummer reports indicated a continuation of the upward trend in numbers of milk cows. Most of the more important dairy States showed increases from June 1941 to June 1942 not greatly different from the national increase of 3½ percent. Increases of 5 percent or more were evident mainly in the Central Plains States and in the Southeast. But in New York and New England the number of milk cows was practically the same this summer as last.

WHEAT: For Feed

One hundred and twenty-five million bushels of Government-owned feed wheat are for sale by the United States Department of Agriculture at prices not less than 85 percent of the parity price for corn. Prices for September delivery range from 74½ to 99½ cents throughout the country. Farmers are being urged to feed more wheat for rapid conversion into livestock products, and feed manufacturers to include more wheat in feed mixtures. Prices for October delivery will be ½ cent a bushel higher than September. October selling prices will closely approximate 85 percent of corn parity and consequently be very near the corn loan rate for the 1942 crop.

Farmers who have resealed 1941 loan wheat stored on their farms may redeem their wheat at the wheat feed price for feeding only, except in soft red winter wheat areas. The Department said that because of the increasing shortage of soft red winter wheat supplies for milling and seed there will be no further sales or redemptions of this class of wheat for feed. Prices and other information on the Government wheat feed program are obtainable at State and county offices of the Agricultural Adjustment Agency, and at offices of the Commodity Credit Corporation at Chicago, Kansas City, Minneapolis, and Portland.

WOOL: Record

United States production of wool is making a new high record this year. Shorn wool alone is estimated at more than 392 million pounds; total of shorn and pulled wool combined doubtless will top last year's output of 455 million pounds. Production would be even greater were it not for a lighter weight of fleece this year—averaging slightly less than 8 pounds per head from 49 million sheep as compared with more than 8 pounds from 48 million sheep in 1941.

Leading producing States are Texas (79.3 million pounds shorn this year, compared with 80.1 in 1941), Wyoming (33.0 million against 33.4 million), Montana (32.4 million against 33.1 million), California (24.4 million against 24.6 million), and Utah (20.3 million against 20.1 million in 1941). Military demand is for all the wool that can be had; wool supply for civilian use may soon be non-existent.

EGGS: Drying

Numbers of laying hens on farms have begun their seasonal rise, starting from a higher level this season than last. BAE estimates that numbers of layers will be 6 to 8 percent higher next January 1 than last. Egg production at that time should be increased about the same percentage. Because of the major increase in egg production begun last fall, this percentage rise is relatively less than the increase of 16 percent in the first half of 1942, but in terms of actual egg output the total is considerably more.

Increased egg production is going to drying plants and to the booming war towns, not to the customary terminal markets. Drying plant capacity in August was about 315 million pounds, based on 300 days operation of 20 to 22 hours per day. On the recommendation of the Food Requirements Committee, the WPB in mid-August approved the allocation of materials for expansion of capacity by 110 million pounds more, which is considered sufficient for our needs. Some idea of the quantity of eggs required for drying is shown by the fact that August 1 commitments alone for future delivery of dried eggs to the Department of Agriculture up to December 31 would require the equivalent of 7.2 million cases of shell eggs.

TOBACCO: Prices

Markets for flue-cured leaf opened in late July at prices considerably higher than last year. Average Georgia and Florida prices were almost 50 percent higher than season averages

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for the same type last year. BAE expects that prices of all major types of domestic tobacco will average higher than last year. Not only are prices grade for grade higher this season, but quality of tobacco seems to be better.

Growers are expected to produce about 8 percent more tobacco of all types this year than last, so that income prospects are favorable in all respects. Total supplies to meet consumer needs for the 1942–43 marketing season probably will be about the same as last season, since important reductions in stocks were made by the large consumption of recent months. Under stress of war-stimulated demand, consumption of all types of tobacco products has been increasing and still further increases are expected. Among the notable changes in consumption has been a reversal of the declining trend in use of chewing tobacco. Wartime reduction of the export market, however, offsets increased domestic consumption and leaves ample stocks of tobacco to meet all our demands.

FRUITS: Processing

Packs of processed fruits—canned and dried—will be so large in 1942–43 that sale of fruit for fresh consumption will be noticeably smaller than last season, although total fruit production is expected to be only slightly smaller. August crop indications were that the combined production of peaches, pears, grapes, cherries, plums, prunes, apricots, and commercial apples would be well above average, but about 3 percent below last year's bumper production.

Military and lend-lease requirements are large for processed fruits, and recent reservation orders have practically eliminated civilian supplies of dried fruits for the time being. The effects of war needs are evident in that although the dried fruit pack this year may be 20 to 25 percent greater than last season, and the canned fruit and juice pack 10 to 15 percent larger, civilian consumption will have to be curtailed. Sufficient fruit—fresh and canned—will remain to meet reasonable requirements of civilians, but diversity and prompt availability may be less than in former years.

The commercial apple crop this year is estimated to be about the same as last year, but August prices reflected the much higher consumer incomes and were considerably above prices in August 1941. Orange supplies from the California Valencia crop also sold at fairly high prices, indicating a favorable marketing season for the record orange and grapefruit crops expected this year.

CANNING CROPS: Increase

August estimates placed the total of tomatoes, sweet corn, green peas, and snap beans for processing this year at 5.3 million tons. This compares with 4.4 million tons in 1941, and with 2.6 million average for the 10 years 1931–40. This year's total consists of 3.3 million tons of tomatoes as compared with 2.8 million in 1941, 1.3 million tons of sweet corn as compared with 1.1 million last year, 464,000 tons of green peas as compared with 345,000 in 1941, and 178,000 tons of snap beans compared with 132,000.

The estimates assumed average growing conditions during the remainder of the season. Biggest production of tomatoes is in California (847,000 tons), Indiana (561,000), Maryland (299,000), Ohio (240,000), New Jersey (209,000). Sweet corn—Minnesota (255,000 tons), Illinois (204,000), Wisconsin (157,000), Iowa (137,000).

—Frank George.

Indications that meat rationing will be necessary arise mostly from the fact that with greater incomes, consumers tend to eat more meat than usual. Prospects are that, with rationing established, supplies of meat would be sufficient to maintain per capita consumption for civilians very near the level of recent years.

Consumer Spending in 1941 and 1942

THE response of consumer spending to changes in incomes, prices and market offerings is a major concern to government and other groups responsible for production programs and fiscal policies aimed at maximizing war effort while safeguarding civilian welfare. The urgency of the demand for such information is so great that funds were allocated to the Bureau of Home Economics and the Bureau of Labor Statistics in the spring of 1942 for the collection of data on consumer incomes and expenditures from representative samples of families and single consumers living in urban communities and in rural territory. The first tabulations of the data have just become available and apply to the year 1941 and the first quarter of 1942. In response to a considerable volume of requests, the two Bureaus have combined the data from the urban and rural samples in preliminary estimates of the consumption of all American families in relation to money income.

The estimates for all families, as well as the samples for the three population groups, urban, rural-nonfarm and farm, indicate convincingly that extravagant spending was not characteristic of American families, large numbers of whom were receiving substantial increases in income as the Nation moved through the Defense period into the Wartime economy. The principal differences in spending of families of the same money income bracket in 1941 compared with 1935–36 can be explained in terms of price levels and available supplies and give no indication of care-free and non-essential purchasing. Luxury items which loomed large in the spending of the period of World War I (at least according to popular impression) do not appear to have attracted the families of the workers, the farmers and the business men whose incomes grew larger as the country entered World War II. The total expenditures for family living, income class by income class, were not substantially different in 1941 than in 1935–36. Personal taxes were higher as well as gifts and welfare contributions, so that the savings (changes in assets and liabilities) were lower. During the first quarter of 1942 total expenditures were below the 1936 level, and although taxes were still higher, the savings of the upper income brackets were substantially more than in 1935–36.

INCREASES in consumption appear to have lagged behind rising income. The notable example that can be read from these first tabulations is in housing expenditures. Although rents during the year 1941 and the first part of the year 1942, as measured by the United States Department of Labor index, were 5 to 9 percent above the 1935–39 level, the expenditures of families for housing and household operation in 1941 in each income class were substantially below the 1935–36 expenditures and did not, in the first quarter of 1942, greatly exceed the 1941 level.

Probably none of the groups of goods and services used in classification offers the possibilities of substitution of one article for another as much as the food group. With rising prices, the consumer can alter not only the items, but also the quality and quantity purchased. This process of substitution appears to have taken place to some considerable degree among families in the lower income brackets. Their expenditures for food were not above the 1935–36 level either in 1941 or in the first quarter of 1942, although the average increase in the price level was nearly 6 percent in 1941 and was around 16 percent in the first quarter

of 1942. Families apparently do not increase their cash expenditures for food as the price level rises unless they have incomes allowing a relatively comfortable plane of living. For the total group of families, farm and nonfarm, the tendency for the money outlays on food to follow price changes appears to begin around a money income of $1,500. Families averaging $2,500 money income spent about $700 for food, compared with $600 for families with such incomes in 1935–36. During the first quarter of 1942, however, $2,500 families showed no increase over an average quarter of 1941.

IN 1941 one-half of the families and single consumers had money incomes below $1,480 and in the first three months of 1942 half of consumer incomes were below an annual rate of $1,540. When income in kind is added, the corresponding figure for 1941 was $1,550 and for 1942, $1,610. These averages reveal how great a rise in incomes has taken place since 1935-36. At that time, the median income, money and nonmoney, was $1,070. With such an increase in income the aggregate expenditures for all consumption groups would be increased even though no change in pattern of consumption by income level had taken place. Rough calculations from these estimates indicate that the money expenditures for food for all families, independent of income, amounted to an average of approximately $500 in 1941, compared with $378 in 1936, an increase of 32 percent. The aggregate in the first quarter of 1942 approached 4 percent above the 1941 level.

THE greatest differences in the consumption of families in the three periods under consideration arise in the consumption groups that include consumers' durable goods. In 1941 the expenditures for household furnishings and equipment were well above the 1935-36 levels even in the low-income groups. Apparently all segments of the population hastened to buy goods in diminishing wartime supply. At $750 money income, families spent $35, on the average, for furnishings and equipment compared with $30 in 1935-36. At the $2,500 point, the items included in this grouping averaged $140 compared with about $85 in 1935-36. In the first quarter of 1942, after many articles of equipment, washing machines and refrigerators in particular, were already scarce or unobtainable, expenditures for this category were back on the 1935-36 level.

Expenditures for automobiles during 1941, however, were no greater than would be expected on the basis of shifts in the amount of consumer incomes. For the same money income groups, the average outlay for automobile purchase and operation was approximately the same in 1941 as in 1935-36. In the first quarter of 1942 the total outlay for automobiles dropped almost to the level of operating costs in 1935-36. At the $2,500 point families in 1942 spent at an unusual rate of $140 compared with $240 in 1941. But the outlays for transportation other than by private automobile increased; though still small in the first quarter of 1942, this item has doubtless increased substantially since spring.

Expenditures for clothing in 1941—9 percent above the 1935–36 level—evidently included some advance buying since the index of clothing prices did not reach 110 on the 1935–36 base until September of that year. Income class by income class, average outlays for clothing during the first quarter of 1942 were as low as in 1935–36. The drop in clothing purchases below the 1941 level may be seasonal in character.

IF the data for the first quarter of 1942 may be taken as indicative of the course of consumer spending during the remainder of the year, it may be inferred that the inability to buy certain goods does not result in a stampede towards others. What is not

Income and Outlay [1]

American Families and Single Consumers [2]

Net money income	Distribution of consumer units by net money income [3]	Average net income		Average money expenditures for familiy living						Average net saving or deficit
		Money	Money plus in kind	Total	Food	Housing and household operation	Furnishings and equipment	Clothing	Automobile	
12 MONTHS, 1941	*Percent*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*
All American families and single consumers										
Net money income class:										
$0 to $500	16	289	545	370	143	78	13	45	21	−87
$500 to $1,000	19	741	994	738	271	164	35	85	58	−20
$1,000 to $1,500	16	1,240	1,452	1,155	399	264	63	132	101	55
$1,500 to $2,000	14	1,732	1,955	1,576	514	351	99	183	165	116
$2,000 to $3,000	20	2,448	2,655	2,214	695	488	139	270	237	166
$3,000 to $5,000	10	3,730	3,979	3,086	906	642	188	402	364	489
$5,000 and over	5	11,552	11,941	6,758	1,586	1,701	299	904	781	3,724
Median consumer unit [4]		1,481	1,692	1,361	457	308	80	156	130	87
Farm families and single consumers										
Net money income class:										
$0 to $500	34	270	687	375	131	43	22	68	30	−99
$500 to $1,000	25	737	1,266	696	223	94	50	117	84	41
$1,000 to $1,500	14	1,226	1,783	921	295	122	74	152	103	256
$1,500 to $2,000	11	1,701	2,303	1,201	337	149	115	178	193	526
$2,000 to $3,000	9	2,439	3,042	1,578	442	213	149	233	231	797
$3,000 and over	5	5,589	6,308	2,004	515	279	160	358	294	3,463
Median consumer unit [4]		750	1,280	710	229	96	51	119	85	45
3 MONTHS, 1942 (JANUARY THRU MARCH)										
All American families and single consumers										
Net money income class:										
$0 to $125	16	67	125	106	42	22	4	11	7	−43
$125 to $250	15	183	229	196	76	47	7	19	12	−16
$250 to $375	14	310	356	290	104	72	12	30	20	13
$375 to $500	13	433	481	381	134	93	16	42	26	45
$500 to $750	19	610	654	503	170	119	21	62	36	84
$750 to $1,250	12	932	990	720	227	154	41	95	60	161
$1,250 or over	6	3,764	3,870	1,529	391	419	71	219	120	1,984
Median consumer unit [4]		386	433	345	122	85	15	37	24	32
Farm families and single consumers										
Net money income class:										
$0 to $125	34	56	145	118	45	16	7	16	10	−68
$125 to $250	16	182	280	172	56	24	10	28	22	9
$250 to $375	10	305	423	224	75	32	20	34	24	68
$375 to $500	7	425	556	273	94	37	21	39	31	120
$500 to $750	7	621	743	325	113	48	24	44	38	307
$750 or over	7	1,967	2,121	378	126	60	31	46	45	1,557
Median consumer unit [4]		105	196	138	49	20	8	21	15	−38

[1] The difference between income and expenditures for family living plus savings is accounted for by expenditures for gifts, contributions, and personal taxes, and by minor discrepancies in figures furnished by families, and in a few instances by nonincome funds, such as inheritances received by families.

[2] Estimates based on data from the Study of Family Spending and Saving in Wartime. The Bureau of Home Economics, U. S. Department of Agriculture collected data from families and single persons living in rural territory; the Bureau of Labor Statistics, U. S. Department of Labor, from families and single persons living in urban communities.

[3] The percentage of consumer units having net losses may be derived by subtracting the sum of the distribution from 100.

[4] The averages on this line represent the income, expenditures, and savings of the consumer unit with the income below which fall half the families and single consumers in the Nation.

absorbed by taxes and price rises is directed towards savings. The purchase of Government bonds, the payment of debts, investments and insurance premiums are taking the part of consumer income that in 1941 went for refrigerators, new automobiles, and radios. Beneath these figures and those for 1935–36 lies an American pattern of living in relation to income which appears to be remarkably stable not only for all population groups taken together, but also for the main component groups, the city dwellers, the farm families, and that transition group, nonfarm families living in rural territory. In spite of much literature to the contrary, income acts as a definite upper limit, not only to expenditures, but also to the amounts of debts assumed for consumer purchases. The sums devoted to advance buying as indicated by the comparisons with the 1935–36 period are definitely in proportion to the income level.

The original data for the period 1935–36 appear in the series of Bureau of Labor Statistics Bulletins 642 through 649, and in the Miscellaneous Publications of the U. S. Department of Agriculture numbered 396 and 465 and estimates based on these are to be found in a volume prepared by the National Resources Planning Board. The preliminary estimates for 1941 and the first quarter of 1942 for all families, and the sample data for farm families are given in the accompanying table. The estimates for the total group are subject to revision after more complete data on population changes become available and after certain comparisons with data available from other government agencies are made. They have been prepared at this time in response to many requests for over-all national estimates required for policy decisions that must be made without delay.

Dorothy S. Brady,
Bureau of Home Economics.

Progress on Food Requirements

A GENEAL appraisal of the work of the Foods Requirements Committee thus far points toward two important developments: (1) An increased integration and coordination of the various phases of the Nation's wartime food program to meet the demands under increasing difficulties; (2) an increasing significance of the Department's food goal program.

The Commiteee was established as an agency to determine civilian, military, and foreign food requirements. It was designed to meet the wartime demand for a centralized body with the power to direct and handle the food problem in close relation to the other complicated problems resulting from the war production effort. It has been assigned definite responsibilities in connection with the production and allocation of civilian and military food supplies, and various other duties in the food field.

The Department of Agriculture's primary responsibility—from the beginning of the war as well as now—is production of food, but it has been given definite new responsibilities under the general food program. This primary responsibility, and the activities related to it, will be greatly implemented by the work performed by the Foods Requirements Committee. While the Committee has been functioning only a relatively short time, it can be said generally that it will be possible to bring into sharper focus both the requirements for food, and the need for supplies and equipment for producing the food. By having a means of considering each

individual problem in relation to the entire food program, it will be possible to "put the punch where it counts the most."

THE committee has acted in one capacity or another on such problems as a program for the conservation of fats and oils, farm machinery requirements, additional facilities for food dehydration, a program for handling importation of tea, steel for farm fencing, and materials for storing the record grain crops being harvested this year. These activities illustrate also how the different phases of the wartime food program are being pulled together so that efforts affecting farm production, processing, storage, and transportation of food can be directed along most efficient lines.

Example of the programs acted upon by the Foods Requirements Committee to date is that which provided additional facilities for dehydration of food. Demands by our armed forces and lend-lease needs for certain foods have increased sharply, while at the same time the shipping situation has steadily become more critical. To meet this situation, a dehydration program developed by the Department was brought before the Foods Requirements Committee. The Committee recommended the program to WPB, where it was approved. Consequently material and equipment has been assured by high priority ratings which will result in the production of the following additional dehydrated foods during the year beginning July 1, 1942: 84,293,000 pounds spray process milk, 110,242,000 pounds of eggs, 66,189,000 pounds of vegetables, and 60,000,000 pounds of meat. The processing of these foods will mean a saving in shipping space equivalent of 1,000 shiploads in the next 2 years.

Also, after considering all requirements for meat in the 1942–43 marketing year, the Committee formulated a program to manage the Nation's record meat supply to assure minimum requirements for United States military forces and our allies, and to distribute equitably the supply available for consumers. Recommendations included a conservation order establishing quotas for sales by packers, consumer rationing, and a voluntary conservation program until rationing can go into effect.

FOOD requirements and farm production goals under the 1943 Food-for-Freedom Program are now of vital concern. Significant as the goals have been this year, they will have even greater importance in 1943, both from the standpoint of farm production itself and the relationship of the goals program to the entire war program. Since the Foods Requirements Committee is responsible for determining food needs for civilian, military and lend-lease use, the goals as part of the entire requirements program will have even greater governmental recognition.

The Foods Requirements Committee will shortly consider food needs for the coming year. Just what the 1943 farm production goals will be cannot now be appraised accurately. However, many factors that were of less consequence last year will enter the picture in establishing 1943 goals. Shortages of labor, farm equipment and supplies, processing and storage facilities problems, the land available for certain crops and other such factors must be weighed carefully before a final decision is reached.

We can expect that for one thing, military needs for food will be much greater in 1943 than in 1942, as will also the demand for some kinds of lend-lease foods. Continued emphasis will be put on the production of livestock and livestock products. Similarly, the critical shipping situation will call for increased production of oil crops to replace the fats and oils we have normally purchased from sources outside our own country. Extremely important also is that the goals be as current as possible with the developing war situation.

SECRETARY Wickard, as chairman of the Foods Requirements Committee, is responsible for certain determinations regarding food requirements. The chairman determines the military and other governmental, civilian, and foreign requirements for foods. He determines the amount by which the domestic production or importation of foods, or agricultural materials from which foods are derived shall be increased or decreased. He also makes recommendations to the Requirements Committee of the War Production Board as to requirements for supplies or equipment needed for the production of such foods or materials. These determinations are, of course, made with the consultation of the entire Committee and with the cooperation of other government agencies.

The Department of Agriculture has been given responsibility for:

1. Increasing or limiting domestic agricultural production in accordance with the decisions of the Committee.

2. The earlier stages of food production in general, except for the production of such specified foods as dehydrated milk and eggs, for which the Department has responsibility for production through all stages.

3. The importation of foods and agricultural materials from which foods are derived. These powers have been delegated by the Board of Economic Warfare to the Commodity Credit Corporation within the Department.

4. The formulation of programs for the conservation of critical foods or agricultural materials from which foods are derived.

S. B. BLEDSOE,
Vice Chairman,
Foods Requirements Committee.

War Boards—On the Farm Front

FARM production programs for 1943 will soon be under way. And as in the first year of our part in World War II, the War Boards of the Department of Agriculture—national, state, and county—will be in the forefront of the production campaign, making known to farmers the acreages and quantities of farm products needed in Food-for-Freedom. But this will not be their only job, for the War Boards have become the guiding agency for most of the efforts through which farmers are working to win the war.

In early 1941, 5 months before Pearl Harbor, USDA Defense Boards—composed of representatives of the major agricultural agencies—were set up to consolidate and strengthen the farm programs for new tasks. Lend-lease and defense needs were showing that a new guiding force was needed for war production on the farms. Then, after Pearl Harbor, production became a still bigger task, distractions became more numerous, and war problems impinged on farmers from all sorts of unexpected angles.

The USDA War Boards are composed of one representative each from the following organizations, at the State and County levels: Agricultural Adjustment Agency; Agricultural Marketing Administration; Bureau of Agricultural Economics; Extension Service; Farm Credit Administration; Farm Security Administration; Forest Service; Rural Electrification Administration; and Soil Conservation Service. In Washington, the Secretary of Agriculture heads the organization. Assisting him are the USDA War Board and the USDA War Board Advisory Committee, a Special War Board Assistant to the Secretary, and all the facilities of the state and county boards.

Top job for every unit of the organization is production of food for the United States and for the United

Nations. Present indications are that the job was well done in 1942, for farmers are producing record crops and livestock products this year. Next year even more production will be wanted, and the job will be harder because of shortages of labor and materials. So the 1943 job of the War Boards on production goals will be a truly big one, and already they are mobilizing all their resources to help farmers in increased emphasis on all the food, oil, and fiber crops needed for war.

BUT there will be more jobs of other sorts in 1943 too.

Already this year, War Board members helped furnish dealers with information on farm needs for nitrate of soda. They provided information to Selective Service Boards concerning essential agricultural activities and gave assistance to the United States Employment Service in locating local offices. They cooperated with the Explosives Control Division of the Bureau of Mines in certifying farmers' applications for getting licenses to handle explosives. Unusual projects for farm officials, ordinarily—but not in wartime.

The War Production Board issued a conservation order which restricted the sale or use of scarce materials within certain limits. State and County War Boards were designated to furnish recommendations so WPB could determine eligibility for applications to construct farm buildings and "off-the-farm" facilities such as those for storage, processing and marketing agricultural products.

Farm machinery procurement and repair programs were important items on War Board work sheets. Campaigns for collection of scrap iron, steel, rubber, and fats have all been in the day's run. Much time has been devoted to programs for increased production of commercial vegetables such as tomatoes and peas, and to the farm garden project. War Boards worked hand in hand with the Office of Defense Transportation on a program to conserve farm transportation facilities.

EARLY in 1942, USDA War Boards, upon a Department of Justice request, assisted in informing enemy aliens located in rural areas about requirements for identification certificates.

Week by week, new activities in conjunction with other groups or pertaining strictly to agriculture, have spread-eagled USDA War Board activities.

Projects have ranged from surveying the nail supply situation to providing data on fuel oil and kerosene requirements for curing flue-cured tobacco; and from disseminating information on the availability of calcium arsenate to aiding in a campaign to ascertain the location of unused farm power plants for the Army.

War Board personnel have cooperated with the U. S. Treasury in drives to sell stamps and bonds. They have campaigned for conservation of such articles as burlap bags and egg cases. They have worked on various phases of storage, transportation and labor problems. There has been the continuous job of perfecting War Board organization and coordinating production by actual movements in the field and through educational facilities.

INFORMATION has necessarily been a big part of the War Board job. Through information campaigns, rural people have been helped to understand the need for a program to keep runaway prices from interfering with the war effort. Background data for an understanding of the sugar situation have been circulated. Exhibits on nitrogen fertilizer were distributed. War Boards in all areas where hog production is commercially important have campaigned for earlier marketing and heavier feeding in line with war needs. Special cooperation has been given to Victory Food Specials to promote the sale of cheese, tomatoes and

peaches and other foods in abundant supply. Motion pictures, mats, posters and various publications have been sent all through the rural areas.

Pearl Harbor did not catch farmers unprepared, for the War Boards were ready to take leadership and channel farm resources into war uses. The job of leadership in the most crucial struggle still ahead finds the War Boards tested by nearly a year and a half of hard experience, and ready to assume ever greater responsibilities in dealing with problems of war in farm production and farm affairs.

FRED S. WALLACE,
Special War Board Assistant to the Secretary.

War Risk Insurance for Farmers

SINCE July 1, 1942, farmers in continental United States, Alaska, Hawaii, Puerto Rico, the Canal Zone, and the Virgin Islands, may, at small cost, insure their farm properties against loss or damage resulting from enemy attack or from action by our own military forces in resisting attack. The coverage, which is purely voluntary, may be obtained through insurance companies and their agents, which are authorized to act for the War Damage Corporation. The Corporation acts as guarantor and administrator but utilizes the facilities of nearly 6,000 fire insurance companies and approximately 150,000 local agents and brokers in selling the insurance. The policyholder may look to the Government for reimbursement of losses, but his immediate war insurance relations are with private companies and their agents or brokers which act as agents for the Corporation.

For a cost of 10 cents per $100 of insurance, a farmer may insure his dwelling, barn (and their contents), livestock, farm equipment, and trucks for their full value for a year. He may insure his crops or orchards against damage for only 5 cents per $100. In case more than $100,000 worth of insurance is obtained, the rates are graduated upward for the portion above the first $100,000. These same rates apply throughout the United States and its territories. A minimum premium of $3 per policy applies to farm property insured for less than $3,000 and to crops and orchards insured for less than $6,000. Since a farmer's buildings and chattels are insured under a different policy from that under which his crops and orchards are insured, he is subject to a minimum charge of $6 if he elects coverage under both policies.

When this article was written, in late August, an interpretation had not yet been made as to whether or not orchard protection is extended to the value of trees as well as to the fruit on the trees. The question of protection of investment in the tree had arisen in connection with insurance on a lemon orchard in California.

SEVERAL crops maturing at the same or different times may be covered under one policy, but the maximum term of any policy is one year. A farmer may take any amount of insurance up to the full value of his property or crops. In case of loss or damage, he need not bear a part of the loss himself, as in some types of coverage where a moral hazard might be involved. Consequential or indirect losses, such as occupancy of dwellings, use of buildings, and rent and rental values on land, are not covered. In case of damage to his property or crops by contending forces, the farmer will file a claim with his insurance company which, through its claim adjustment bureau, will investigate the claim and report its findings to the War Damage Corporation for further investigation or payment.

The agent who completed the application for insurance receives 5 percent of the premium payment as a commission, with a minimum fee of $1 per policy. An additional 3½ percent goes to the company which issues the War Damage Corporation policy, to pay overhead charges, with a minimum fee of 50 cents per policy. It was not contemplated that the insurance company's 3½ percent would permit any profit. In fact, it is subject to adjustment upward or downward depending on whether or not it is found to be inadequate or too generous for insurance company expenses. Participating companies will be permitted to divide 10 percent of the profits shown by the War Damage Corporation after the war, with a top limit of 20 million dollars going to all companies combined. Conversely, the companies would absorb up to 10 percent of any deficit after the war up to 20 million dollars.

THE Federal Crop Insurance Corporation has ruled that crop losses caused by invasion forces or the Nation's defenders are covered under the insurance policies of wheat and cotton farmers. Since the contract covers all "unavoidable" losses, the interpretation has been made that yield losses due to contending forces are covered the same as losses due to drought, storm, excessive rainfall, insects, hail, frosts, etc. Obviously, the specific wheat or cotton crop that has been insured is all that is protected. Other crops and the farmer's other property would have to be insured with the War Damage Corporation in order to be covered.

The yield insurance contracts of the Federal Crop Insurance Corporation are for 75 (or 50) percent of the average yields. This means that a farmer must stand the first 25 (or 50) percent loss in yield from all causes, including war damage. (He might, if he chose, insure this portion against war damage with the War Damage Corporation.) The Federal Crop Insurance Corporation would reimburse him for the remainder of the loss, or the difference between his actual yield and his insured yield. Due to the moral hazard involved, the Federal Crop Insurance Corporation cannot insure farmers for the full value of their wheat and cotton crops, as is done by the War Damage Corporation in the case of losses attributable to invasion or defense. The crop insurance policy covers losses only until the crop is harvested (with one exception). Wheat or cotton stored on the farm, therefore, is not covered.

Losses due to maneuvers, bombs dropped inadvertently from our own planes, and other damage not caused by invading or conflicting forces are not covered by the policies of either the War Damage or the Federal Crop Insurance Corporations.

IN England the war-insurance system is based on the amount of annual rent received by the landlord for his farm, since approximately three-fourths of the farms in England are rented. Insurance is not compulsory unless the annual rent or the assessed annual value is more than £50, or approximately $200. The landlord must insure his buildings and equipment of a permanent nature for at least twice the annual rent. The tenant would pay for the insurance on his crops, machinery, livestock, and other movable articles. Each would submit a list of the items to be insured and the valuations placed thereon. Insurance need not be up to the full value of the property or chattels. Losses are paid up to the amount of the insurance without taking into consideration whether or not the full value was insured. Until April 1942 a premium rate of approximately $1.50 per $100 per year applied to all farm properties; since April the rate has been 50 cents per $100. The rate is the same throughout England. Like in our own plan, the farmer does not have to bear a first loss himself. The British Government does not pay indemnities until

after the war, unless it is determined in the national interest to do so. Deferred payments accrue interest at 2½ percent a year. The plan, administered by the Board of Trade, is operated through insurance companies.

AS with the British plan, it is likely that the provisions of our own war insurance plan will be amended again and again, until the war is over. It has been suggested that the War Damage Corporation should provide protection against damage done by our own planes, regardless of whether or not we are attacked, on the assumption that every activity of the Army, Navy, and Air Force is in reality a part of resistance to enemy attack. On the other hand, military aircraft operate in peacetime; and a farmer who has insurance against attendant hazards then, might be protected in wartime if the precedent established by the Supreme Court decision in the Marine case of Queen Insurance Company *vs.* Globe and Rutgers, decided after the last war, were followed. In that case it was decided that "neither the exaggeration of a hazard which exists in peacetime nor the removal of a peacetime safeguard constitutes a war risk." Under that doctrine, in effect in England, the mere fact that aircraft are more numerous or may operate with less caution in wartime than in peacetime probably could not be used by an insurance company to avert liability.

During the period between December 1941 and July 1942, when "free" insurance was in effect, some damage was done on our West Coast, principally in Los Angeles, by falling shells and shrapnel from our own antiaircraft guns. Some claims were filed as a result. The sabotage of farm property and food and fiber stored on the farm and in warehouses and elevators might be more dangerous than an invasion just now. However, it would be difficult to determine whether or not such "secret" acts, in respect to farm properties, were really sabotage. If proof were lacking, the fire insurance company probably would be liable under its regular coverage. War risk insurance was intended primarily to furnish a coverage which was not available through private insurance companies.

D. F. Smith and Ralph R. Botts

Computing Indexes of Prices Paid

WHAT is the index of prices paid by farmers for commodities? It is an attempt to measure as accurately as possible the over-all changes that occur in the level of prices charged to farmers and their families for the articles they must buy to live and to maintain farm production.

The first step in the construction of the index is to collect the prices charged to or paid by farmers for the flour, sugar, overalls, stoves, automobiles, plows, and many other commodities they buy. Obviously, prices cannot be determined for each and every one of the hundreds of commodities and services purchased by farmers, nor is it necessary if the prices for the important articles, accounting for the greater part of the farmer's expenditures, are regularly determined. Altogether, price data for 174 articles purchased by farmers, 86 used in living and 88 for farm production distributed so as to represent each major group of commodities, are covered in the current index of prices paid. Prices of these commodities are reported periodically to the Department of Agriculture by more than 10,000 retail merchants serving the farm population in all parts of the United States. Prior to 1923 prices were collected annually. Prices of most commodities have been reported quarterly since 1923. Monthly prices of feed are available in recent years. For commodities other than feed, sufficient

data are also obtained from supplementary sources to allow the monthly movement of prices to be estimated. From these data, average prices for the United States as a whole are computed. Commodities for which prices are obtained change occasionally as a result of the outmoding of some commodities, the introduction of new commodities, and the general trend of technical change and improvement.

Average prices for each commodity are combined or arranged by major groups such as food, clothing, and farm machinery. Prices for the different commodities are multiplied by the average quantity of each commodity purchased per farm during the 6-year period 1924–29, which was the most recent period of relative economic stability at the time this index was being developed. The same quantity weights are applied to the prices for all periods of time and, therefore, changes in the index reflect only changes in prices and not changes in quantities purchased. The values of the different commodities for each period of time are added, giving a total value for each group of commodities. The total values are expressed as percentages of the average value of the same commodity groups in the base period 1910–14.

The commodity group indexes so computed are combined into over-all indexes of prices paid for items used in living and items used for farm production by weighting each group according to its relative importance in the average expenditures per farm from 1924 to 1929. Similarly, the living and production price indexes are combined into a single index and this index, together with indexes of interest on farm mortgages and taxes payable on farm real estate, converted to a per-acre basis, are combined into the index of prices paid by farmers for commodities, interest and taxes.

Nathan Koffsky.

BILLIONS OF BABY CHICKS

Rapid expansion of the commercial hatchery business is indicated by Department of Agriculture estimates that the hatch this year will total nearly 1.2 billion chicks. This compares with less than 1.1 billion in 1941, and the preceding high of 910 million in 1939. Increases have been greatest the last 2 years in the North Central States. The hatchery industry went into a period of depression after 1930, but began to recover in 1935, and by 1939 was well on the way toward the billion-chicks-a-year level. Production declined in 1940, but then spurted in order to satisfy wartime requirements for poultry and eggs.

Department poultry specialists say that other reasons for the big increases in recent years include greater specialization in the poultry industry and rapid growth of the commercial broiler industry. Ten years ago the farmers bought or had custom hatched less than half the chicks they raised. Now they buy or have custom hatched nearly 80 percent of all the chicks they raise. And last year more than 163 million commercial broilers were produced, or 127 percent more than the average for the 7 years 1934–40. Total this year is above 200 million.

Commercial hatcheries in the North Central States now produce about half of the United States total. Output here in 1941 was 590 million chicks as compared with 388 million in 1930. Runner-up was the South Central group of States with a total of 109 million in 1941 as compared with 66 million in 1930. Production in all regions except the Pacific and Mountain States was larger in 1941 than in 1930. Leading producing States in 1941 were Indiana (94 million), Iowa (83 million), Missouri (81 million), Illinois, (78 million), Ohio (62 million), Minnesota (50 million).

Agricultural Manpower

IMPROVED employment conditions in cities mean an increased demand for the products of the farm. The demand is not only for the food and fiber produced on farms, but fully as much for the manpower available on farms. Farm families are generally larger than families in towns and cities. Each year there are many more farm youth reaching maturity than are needed to replace the older ones who die or retire. During the depression years only a part of the excess moved to towns and cities, the others stayed on farms. By 1940 the farm population included about 2.5 million persons who would not have been there had migration continued at the same rate as during the 1920's.

But since early 1940 there has again been an insistent demand for the manpower on farms, from industry and the armed forces. From the time the last census was taken, only a month before the fall of France, supplying this demand decreased the farm population from 30.2 million to 29.1 million at the beginning of 1942. Since then there has been further migration from farms. The net movement from farms to towns and cities was about 1,000,000 persons during 1941; during 1940 it had been only about 570,000. The volume of migration indicated by these figures is large in comparison with the average for 1930–40, which was only 350,000 per year.

THE net migration from farms between April 1940 and July 1942 was approximately 1.6 million persons, but, as usual, there were more births than deaths to offset partially the losses by migration. The migrants included nearly half a million young men who joined the armed forces, and in addition some 900,000 workers or potential workers, plus some children. Migrants from farms were not the only losses to the agricultural labor supply during this period; there was also a considerable number of persons who took nonagricultural jobs but continued to live on farms. In April 1940, the Census reported that about one out of five employed workers living on farms was working at some nonagricultural job, a total of 2,070,000 persons. By the middle of July 1942, some 1.4 million more persons living on farms were working at some nonagricultural job as a major occupation. Of course, there are also some persons working on farms who do not live on farms, but the number of these is less than the number of farm residents working at nonagricultural occupations both in the slack and in the peak season in agriculture. Altogether, the net shifts in occupation and the migrations which have occurred account for the loss of approximately 2 million persons from the on-farm agricultural labor supply between April 1940 and July 1942.

This does not mean that there are now 2 million fewer workers on farms; as a matter of fact, these losses have been largely replaced. Employment on farms in the middle of 1942 was only slightly less than at the same time in 1940. Enough young men reached working age to provide 400,000 more than were needed to replace the losses of older men by death; there are fewer unemployed on farms than there were in 1940; there were more women and children working on farms in 1942; and the number of persons working on farms who lived in villages and cities had not decreased.

THE migrants from farms during 1941 did not come in the same proportions from all parts of the country. Rates of migration from farms were highest in the northeastern industrial States, where a large proportion of current industrial employment is located. Rates were also higher than

average in the West North Central States, including the Northern Great Plains, where there again has been a considerable out-migration. In terms of rates, the migration from farms has been least in the East South Central States, which include a large part of the Southern Appalachian Mountain area and which was one of the areas of rapid growth of farm population during the 1930's. There is some evidence that the migration has been coming in larger proportions from the more favorably situated rural areas, those in which the level of production and income has been high, and in which young people have had superior educational facilities. A special study in Kentucky showed that the rate of migration from farms was lowest in the southeastern, mountainous section of the State. The same area in 1940 had a considerable volume of underemployed persons on farms and in the villages. Apparently the available supply of rural-farm manpower in that area has been only partially tapped so far.

A map of rates of migration from farms would show that within any region the rates of migration varied widely, some local areas contributing more heavily than others. Farms in areas immediately adjacent to war industry plants or major construction projects experienced a considerable movement from farms. More than 30,000 farm families have been displaced through the purchase of land for military purposes.

HEARINGS before the Tolan Committee and information from other sources indicate that a large proportion of the current shifting about of population in the United States involves people who are leaving one city to go to another. Recent studies of migrants into war industry areas showed that in half the survey cities an average of not more than 9 percent of the migrants had come from farms, but that the rates varied from 0.5 percent in Saginaw, Michigan, to 21 percent in Detroit, Michigan. Few of the migrants had traveled far, the migrants to most of the cities included in the survey had traveled an average distance of less than 125 miles. At the same time, however, the migration from farms to nearby towns and cities supplied farm boys and girls to fill the vacancies created when village youth moved to war industry areas.

A part of the explanation for the source of war time migrations is found in the population trends in the 1930's. The number of people living on farms in 1940 was the same as in 1930, but the number of persons in the rural nonfarm areas increased by 14.2 percent. While a part of this increase was due to the increase in the smaller suburban places in the vicinity of larger cities, there were many instances of increase in smaller towns which resulted simply from the fact that unemployed and underemployed people were moving into them. Unemployment in rural nonfarm areas in 1940 was two times as great proportionately as on farms and was slightly larger than the rate in cities. When the urgent need for workers developed with the expansion of the defense and war production programs, there was a considerable volume of population available in rural nonfarm areas.

PRESENT indications are that there will be a continuation of a considerable migration from farms in order to meet the demands of both the armed forces and industry. The picture at the present time includes many diverse situations. At the one extreme are the communities which have experienced so much migration from farms that they are facing serious difficulties in finding needed replacements for the farm workers who have been lost. At the other extreme, there are farming areas in which there is still a considerable volume of underemployment. Full utilization of the manpower on the nation's farms calls for effective methods of drawing into more productive activity those farm workers who are still underemployed.

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Year and month	Industrial production (1935–39 =100) [1]	Income of industrial workers (1935–39 =100) [2]	Cost of living (1935–39 =100) [3]	1910–14=100					
				Wholesale prices of all commodities [4]	Prices paid by farmers for commodities used in—			Prices paid, interest, and taxes	Farm wage rates
					Living	Production	Living and production		
1925	90	126	125	151	163	147	156	170	176
1926	96	131	126	146	162	146	155	168	179
1927	95	128	124	139	160	144	153	166	179
1928	99	127	123	141	160	148	155	168	179
1929	110	134	122	139	159	147	154	167	180
1930	91	110	119	126	150	141	146	160	167
1931	75	85	109	107	128	123	126	140	130
1932	58	59	98	95	108	109	108	122	96
1933	69	61	92	96	108	108	108	118	85
1934	75	76	96	109	122	123	122	128	95
1935	87	87	98	117	124	127	125	130	103
1936	103	100	99	118	123	125	124	128	111
1937	113	117	103	126	128	136	131	134	126
1938	89	91	101	115	122	125	123	127	125
1939	108	105	99	113	120	122	121	125	123
1940	123	119	100	115	121	124	122	126	126
1941	156	163	105	127	131	131	131	134	154
1941—August	160	174	106	132	134	132	133	136	----
September	161	177	108	134	136	135	136	138	----
October	163	178	109	135	140	138	139	141	165
November	166	180	110	135	142	139	141	143	----
December	167	187	110	137	143	141	142	143	----
1942—January	171	196	112	140	146	145	146	146	166
February	172	194	113	141	147	147	147	147	----
March	171	195	114	142	150	149	150	150	167
April	[5] 173	202	115	144	152	149	151	151	177
May	[5] 174	208	116	144	153	150	152	152	----
June	[5] 176	[5] 216	116	144	154	150	152	152	183
July	180	227	117	144	154	150	152	152	202
August					154	150	152	152	----

Year and month	Index of prices received by farmers (August 1909–July 1941=100)								Ratio prices received to prices paid, interest, and taxes
	Grains	Cotton and cottonseed	Fruits	Truck crops	Meat animals [6]	Dairy products	Chickens and eggs	All groups	
1925	157	177	172	153	141	153	163	156	92
1926	131	122	138	143	147	152	159	145	84
1927	128	128	144	121	140	155	144	139	86
1928	130	152	176	159	151	158	153	149	89
1929	120	144	141	149	156	157	162	146	87
1930	100	102	162	140	134	137	129	126	79
1931	63	63	98	117	92	108	100	87	62
1932	44	47	82	102	63	83	82	65	53
1933	62	64	74	105	60	82	75	70	59
1934	93	99	100	103	68	95	89	90	70
1935	103	101	91	125	117	108	117	108	83
1936	108	100	100	111	119	119	115	114	89
1937	[1] 26	95	122	123	132	124	111	121	90
1938	74	70	73	101	114	109	108	95	75
1939	72	73	77	105	110	104	94	92	74
1940	85	81	79	114	108	113	96	98	78
1941	96	113	92	144	144	131	122	122	91
1941—August	99	128	100	133	155	135	130	131	96
September	106	150	89	145	163	140	141	139	101
October	101	144	107	164	154	145	146	139	99
November	103	136	98	147	149	148	157	135	94
December	112	138	98	162	157	148	153	143	100
1942—January	119	143	102	204	164	148	147	149	102
February	121	150	98	161	173	147	135	145	99
March	122	151	111	136	180	144	130	146	97
April	120	158	118	158	190	142	131	150	99
May	120	159	131	152	189	143	134	152	100
June	116	153	148	169	191	141	137	151	99
July	115	155	131	200	193	144	145	154	101
August	115	151	126	256	200	151	156	163	107

[1] Federal Reserve Board, adjusted for seasonal variation. Revised September 1941.
[2] Adjusted for seasonal variation. Revised November 1941.
[3] Bureau of Labor Statistics.
[4] Bureau of Labor Statistics index with 1926=100, divided by its 1910–14 average of 68.5.
[5] Revised.

NOTE.—The index numbers of industrial production and of industrial workers' income shown above are not comparable in several respects. The production index includes only mining and manufacturing, the income index also includes transportation. The production index is based on volume only, whereas the income index is affected by wage rates as well as by time worked. There is usually a time lag between changes in volume of production and workers' income, since output can be increased or decreased to some extent without much change in the number of workers

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